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April 25, 2005

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A235
Washington, DC 20554

RECEIVED

APR 25 2005

Federal Communications Commission
Office of Secretary

RE: TRS Fund Administration
CC Docket No. 98-67

Dear Ms. Dortch:

In accordance with 47 C.F.R. § 64.604 (c)(5)(iii)(H), enclosed are the original and four (4) copies of the National Exchange Carrier Association, Inc.'s Annual Submission of TRS Payment and Revenue Requirements, for July 2005 – June 2006.

Acknowledgment and date of receipt of this letter is requested. A duplicate copy has been provided for that purpose.

Sincerely,

Enclosures

Cc: Thomas Chandler, Consumer and Governmental Affairs Bureau
Jay Keithley, Consumer and Governmental Affairs Bureau
Gregory Hlibok, Consumer and Governmental Affairs Bureau
James Lande, Wireline Competition Bureau
Mark Reger, Office of the Managing Director
Michael Smith, Office of the Managing Director
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served this 25th day of April, 2005, by mailing copies thereof by United States Mail, first class postage paid, by express mail, or by hand delivery, to the persons listed below.



Maripat Brennan

The following parties were served:

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of:

Telecommunications Services for
Individuals with Hearing and
Speech Disabilities, and the
Americans with Disabilities Act
of 1990

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CC Docket 98-67

Interstate Telecommunications Relay Services Fund

Payment Formula and Fund Size Estimate

National Exchange
Carrier Association, Inc.
80 South Jefferson Road
Whippany, NJ 07981
April 25, 2005

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of:)	
)	
Telecommunications Services for)	
Individuals with Hearing and)	CC Docket No. 98-67
Speech Disabilities, and the)	
Americans with Disabilities Act)	CG Docket No. 03-123
of 1990)	

**Payment Formula and Fund Size Estimate
Interstate Telecommunications Relay Services (TRS) Fund
For July 2005 through June 2006**

1. Introduction

The National Exchange Carrier Association, Inc. (NECA) herein submits the Telecommunications Relay Services (TRS) provider payment formulas, fund size estimate and carrier contribution factor for the period July 2005 through June 2006, in accordance with Section 64.604 of the Federal Communications Commission's (FCC or Commission) rules.¹ NECA is a not-for-profit corporation responsible under Subpart G of the Commission's Part 69 rules for administering interstate access charge pools for participating local exchange carriers (LECs), and the TRS Fund.²

¹ 47 C.F.R. §64.604 (c)(5)(iii)(H).

² See Telecommunications Relay Services, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, *Third Report and Order*, 8 FCC Rcd 5300 (1993) (TRS III). TRS III modified and adopted certain rules regarding TRS interstate shared funding that were proposed in an earlier Commission *Order on Reconsideration, Second Report and Order, and Further Notice of Proposed Rulemaking*, 8 FCC Rcd 1802 (1993) (TRS II). See Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, *Order on Reconsideration, Second Report and Order, and Further Notice of Proposed Rulemaking*, 8 FCC Rcd 1802 (1993) (TRS II).

Based on cost and demand projections received from the providers of relay services, NECA is proposing reductions to the reimbursement rates for traditional TRS, Speech to Speech (STS), Internet Protocol Relay Service (IP), and Video Relay Service (VRS) for the 2005 – 2006 funding period. The funding requirement is significantly higher, however, because of the continued strong projected demand for both IP and VRS.

Collectively, the TRS component services are projected to require a funding requirement of \$413.3 million for 2005-2006. Because interstate and international end user revenues continue to decline, and the increased funding requirement, NECA is proposing a contribution factor of 0.00528, an increase from 0.00356 for 2004 - 2005. When applied to carriers' 2004 end-user interstate and international revenues of \$78.2 billion, the 0.00528 factor will produce the required fund size of \$413.3 million.

Upon approval by the Commission of the proposed contribution factor, fund size requirement, and reimbursement rates, NECA will begin billing carriers and disbursing funds to relay service providers for the 2005 – 2006 funding period in July 2005.³

2. Interstate TRS Fund

The TRS Fund is designed to compensate eligible relay service providers for the costs of furnishing interstate traditional TRS and STS, and both intrastate and interstate VRS and

³ The Commission adopted shared funding as the method for interstate cost recovery in *TRS II*, proposing at that time that NECA be named administrator of the interstate TRS Fund. See *TRS II* at ¶¶ 2 and 27. *TRS III* designated NECA as administrator for a two-year period. See *TRS III* at ¶ 7. In its 1995 fund administrator order, the Commission extended NECA's term as administrator for four additional years until July 23, 1999. See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the TRS Advisory Committee, CC Docket No. 90-571, *Memorandum Opinion and Order*, 10 FCC Rcd 7223 (1995). In 1999, the Commission again extended NECA's term as administrator until July 25, 2003. See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the TRS Advisory Committee, CC Docket No. 90-571, *Memorandum Opinion and Order*, 14 FCC Rcd 10553 (1999). The FCC extended the NECA's term as TRS Fund Administrator on a month-to-month basis, effective July 26, 2003, in a July 11, 2003 letter from K. Dane Snowden, Chief, Consumer and Governmental Affairs Bureau to the President of NECA.

IP.⁴ Fund distributions to providers are made on the basis of payment formulas initially computed by NECA in accordance with Commission rules and then approved or modified by the Commission.

The Commission's shared funding mechanism for the TRS Fund ensures that the costs of meeting relay service obligations are borne equitably. The fund requires contributions from all interstate telecommunications common carriers, based on each carrier's percentage of end user interstate services.⁵

The TRS funding period commences July 1 and ends June 30. NECA will use the carriers' 2004 interstate and international end user revenues reported on the Telecommunications Reporting Worksheet, FCC Form 499-A, on April 1, 2005, and provided to NECA by the Universal Service Administrative Company (USAC), the Revenue Data Collection Agent, as the basis for calculating carriers' contributions. Carriers' 2004 revenues are \$78.2 billion, \$3 billion less than reported for 2003. Annual contributions are due July 26th. Carriers whose contributions are \$1,200 or more may pay in twelve equal monthly installments, due on the 26th of each month. Approximately 4,400 carriers will be

⁴ Eligible providers are defined as (1) TRS facilities operated under contract with and/or by certified state TRS programs pursuant to section 64.605; or (2) TRS facilities owned by or operated under contract with a common carrier providing interstate services pursuant to section 64.604; or (3) interstate common carriers offering TRS pursuant to section 64.604. See 47 C.F.R. § 64.604 (c)(5)(iii)(F).

⁵ In its streamlined contributor reporting requirements order, the Commission adopted rules requiring every carrier providing interstate telecommunications services to contribute to the TRS Fund on the basis of its relative share of interstate end user revenues. See 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Services, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171, *Report and Order*, 14 FCC Rcd 16602 (1999). These contributions are made by carriers offering interstate services including, but not limited to, cellular telephone and paging; mobile radio; operator services; personal communications service (PCS); access (including subscriber line charges); alternative access and special access; packet-switched; WATS; 800; 900; message telephone service; private line; telex; telegraph; video; satellite; intraLATA; international and resale services. See 47 C.F.R. § 64.604 (c)(5)(iii)(A).

billed during the 2005 – 2006 funding period, of which about ten percent will pay on a monthly basis.

To receive reimbursement, providers submit monthly minute reports by the fifteenth work day of the month following the month when the minutes were handled. NECA pays providers by the end of the reporting month.⁶

3. Data Collection and Analysis

Relay providers continue to be a diverse group. Services are offered by large interstate interexchange carriers, large and small local exchange carriers, non-telecommunications for-profit companies, and not-for-profit organizations. Some providers offer all four services while others only provide one or two. Several providers have been reimbursed for traditional TRS for more than ten years since the inception of the fund in 1993, while new VRS-only providers started receiving reimbursement in the last three years. Regardless of the type of company providing the service, its experience in offering relay services, or the type of relay service it provides, NECA applies consistent requirements when collecting data and levels of scrutiny when analyzing the data submitted.

In light of the direction provided in the FCC's *June 2004 Order*, NECA modified the annual Relay Services Data Request and its instructions to reflect changes in the data and support documentation required for development of the 2005 – 2006 reimbursement rates.⁷ NECA distributed drafts of the revised forms and instructions to the providers for comment in August and held a training session that most providers attended on September 8, 2004.

⁶ See Exhibit 5 Reporting and Disbursement Schedule.

⁷ See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 90-571, CC Docket No. 98-67 and CG Docket No. 03-123, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 19 FCC Rcd 12475, (2004) (*June 2004 Order*) ¶163-200.

The new version of the annual data request was e-mailed to relay providers and sub-contractors on September 29, 2004.⁸ Providers were directed to submit data separately for TRS, STS, IP and VRS by January 4, 2005. Although captioned telephone VCO cost and demand data are not included in developing the traditional TRS reimbursement rate, NECA also collected that data as directed by the FCC *August 2003 Declaratory Ruling* on the service.⁹

When the shared fund commenced in 1993, each relay center operated independently and costs differed from one center to the next, even for carriers with multiple relay centers. Consequently, the cost data was collected on a center by center basis. Today, however, most relay providers distribute calls using the next available position methodology, regardless of center location, and allocate their costs across centers based on the number of minutes handled. The requirement to provide data on a center by center basis was virtually eliminated in the September 2004 data collection except in the area of support for salaries and benefits for center personnel. Data was instead requested and reported on a service by service basis.

In the *June 30th Order*, the FCC confirmed that the reasonable costs of providing TRS –“those direct and indirect costs necessary to provide the service consistent with all applicable regulations governing the provision of the service, *i.e.*, the TRS mandatory minimum standards”– may not include a markup on those costs. However, the FCC did

⁸ In *TRS III* the Commission directed the administrator to “fashion a form . . . consistent with Parts 32 and 36 procedures . . . to meet the needs of TRS providers who would otherwise not be subject to Part 32 . . .” (*TRS III* at ¶¶13-14, and 30). NECA's September data request (as shown in Appendix A) supplied thorough instructions, including detailed descriptions of accounts that closely track Part 32 definitions.

⁹ See Telecommunications Relay Services, and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities Declaratory Ruling, CC Docket No. 98-67, (*August 2003 Declaratory Ruling*)18 FCC Rcd 16121 (2003) ¶23 and FN 67.

allow the inclusion of a return on capital investment of 11.25%, the rate of return that the Commission has applied in a wide range of telecommunications contexts.¹⁰ A new section on capital investment was added to the data request to allow providers to report those costs. The result of calculating the 11.25% return was included in the development of the average cost per minute. In addition, a factor of 1.4% as an allowance for cash working capital was added to the total average cost per minute to arrive at the reimbursement rate for each service. This factor represents one-twelfth, or one month, of the 11.25% rate of return plus a tax allowance.

Cost and demand data reported by relay providers consisted of actual amounts for 2003, annualized actual amounts for 2004, and projections for 2005 and 2006. To support the cost data requested, NECA required providers to submit detailed explanations of their expenses in the categories of salaries and benefits for relay center personnel, annual administrative expenses (finance, legal, engineering, human resources, and other corporate overheads), depreciation and capital investment, and outreach and advertising. The 2003 and 2004 data are used for trending purposes and will be used for the review of certain providers as part of the fund administrator's annual audit process. The 2005 and 2006 projections are used for rate development for the forthcoming funding period.

In general, NECA found that providers followed the data collection instructions closely and submitted the required data and support documentation as requested. Providers responded promptly to questions, supplied additional information when necessary, or modified their data after discrepancies were identified, e.g., extraordinarily high percentage of interstate traditional TRS minutes; the same interpreter salary used for multiple VRS center locations; and lack of support for 2006 projections. In two instances, after much

¹⁰ June 2004 Order at ¶¶181 and 182.

discussion with the providers involved, NECA determined it was necessary to disallow certain costs. Each of these instances is explained *infra* in the sections on STS and VRS rate development. All providers were advised via e-mail in late March or early April that their submissions had been accepted. In the cases of the two providers who had certain costs disallowed, they, too, received e-mail notifications of which costs were accepted and of NECA's determination that certain data were being excluded.

NECA believes the measures it employed in the September 2004 data collection and subsequent analysis reflect the *June 2004 Order*, bring consistency to the analytical process, and result in projected payment formulas that are reasonably accurate reflections of the average costs to provide interstate TRS and STS, and intrastate and interstate IP and VRS during the upcoming funding year.

4. TRS Rate Development and Fund Requirement

Traditional TRS interstate minutes have been reimbursed from the TRS Fund since its beginning on July 26, 1993. Over the years, twelve entities have provided traditional TRS; currently, there are seven providers receiving reimbursement.

In *TRS III*, the Commission observed that its Part 36 separations' rules prescribe "minutes of use" as the allocator for operator services, the telecommunications function that most closely approximates the principle function of TRS.¹¹ NECA believes that minutes of use continue to be a practical and logical cost allocator for determining interstate TRS costs.

For traditional TRS, once the relationship of a provider's interstate and international minutes plus an allocation of its toll-free and 900 service minutes is known, a usage-based factor may be applied to a provider's total costs to determine the interstate portion of the

¹¹ *TRS III* at ¶13.

costs. This provides a reasonable and practical simulation of the Commission's Part 36 separations procedures.¹²

Providers are generally unable to identify the jurisdiction of toll free calls.¹³ Based on guidance from the Interstate TRS Fund Advisory Council, NECA has, since 1996, developed a factor for TRS toll free minutes based on the relationship of traditional TRS interstate and international billed minutes to TRS intrastate toll, interstate and international minutes.

NECA used this methodology through the 2002 – 2003 funding period. The allocation factor developed for that period was 51 percent interstate. When NECA attempted to use the same methodology to develop the factor for the 2003 – 2004 funding period, a significant shift in projected minutes from traditional TRS to IP relay was noted. It did not seem likely that the jurisdiction of the calls had changed. Rather, it appeared more likely that the factor was distorted by text telephone users migrating to the use of computers and the Internet to access relay service.

Calls placed using Internet protocol exhibit many of the same characteristics as calls placed to toll-free numbers – the provider is unable to identify the jurisdiction of the call and its associated minutes. Because it is not yet possible to identify the origin of IP calls, it is not possible to develop a factor using IP demand data either. NECA's recommendation to freeze the toll-free allocation factor at 51% for the 2003 – 2004 period was accepted by the Commission in 2003.

¹² The costs of providing interstate TRS do not vary significantly from the costs of providing intrastate TRS. The service provided (*i.e.*, transliteration of TTY text to speech and *vice versa*) is essentially the same, regardless of whether a call is made across the street or across the nation.

¹³ For most TRS providers, the data submitted in the 1996 TRS center data request represented their initial reporting of toll free minutes.

Since providers have the same problem of being unable to identify the jurisdiction of calls placed to 900 numbers, NECA used the same methodology to estimate interstate usage associated with these messages. NECA again recommends using the factor of 51% for the 2005 – 2006 period for both toll-free and 900 number minutes. The interstate minutes of use used to calculate the traditional TRS reimbursement rate reflect this methodology.

Once the data analysis was completed, incorporating the measures noted in Section 3 above, the traditional TRS cost per minute of use for each provider was calculated as follows: projected total 2005 TRS costs were divided by projected total 2005 TRS minutes excluding general assistance minutes, and projected total 2006 TRS costs were divided by projected total 2006 TRS minutes excluding general assistance minutes. The resulting individual provider cost per minute for 2005 and 2006 was multiplied by that provider's estimated 2005 and 2006 interstate minutes (including international minutes and the interstate allocation of toll free and 900 number minutes), to produce interstate costs by TRS provider for each year. Traditional TRS average per minute costs ranged from \$1.176 to \$3.58 for 2005 and from \$1.207 to \$3.812 for 2006. To maintain the confidentiality of the TRS providers' data, these individual calculations are not included in the rate calculation exhibits. Only the total cost and demand projections and the calculation of the average cost per interstate TRS minute are shown.¹⁴

Because the reimbursement rate for traditional TRS and IP relay is an average of the costs of both services, the IP cost per minute had to be developed before the reimbursement rate could be calculated. (See Section 5 for IP rate development and Section 6 for TRS and IP average rate development.)

¹⁴ See Exhibit 1A for TRS rate development.

While NECA utilizes TRS providers' minute forecasts for the next two years to calculate the reimbursement rate, with more than ten years of historical growth available on traditional TRS, NECA normally uses only actual growth data to estimate the size of the traditional TRS portion of the interstate fund. Interstate captioned telephone VCO minutes, initially reimbursed in July 2004, are included with traditional TRS minutes for this purpose.¹⁵

In past years, NECA calculated a percentage growth rate for traditional TRS based on year over year increases or decreases in minutes. Even though traditional TRS minutes decreased from 2003 to 2004, NECA believes that traditional TRS interstate minutes will increase for the 2005 – 2006 funding period due to the growth of captioned telephone VCO service. Captioned telephone VCO service appeals to a whole new audience of hard of hearing callers who typically do not communicate via text telephone or sign language. The number of states that will add captioned telephone VCO service to their state programs is expected to increase in 2005 and 2006. States that already provide the service will be adding new users during this period.

To develop the traditional TRS forecast for 2005 – 2006, NECA focused on the four-month period of October 2004 through January 2005 because it showed steady growth whereas traditional TRS minutes fluctuated up and down each month between January and September 2004. The average monthly increase during those four months was 22,183 minutes. NECA then grew traditional TRS minutes by that average monthly amount, from March 2005 through June 2006, to arrive at a total number of traditional TRS interstate

¹⁵ See *August 2003 Declaratory Ruling*, ¶ 22.

minutes, including captioned telephone VCO minutes, for the July 2005 – June 2006 funding period of 26.5 million.¹⁶

5. IP Relay Rate Development and Fund Requirement

In an April 2002 Order, the FCC authorized reimbursement of all IP relay minutes from the interstate TRS fund on an interim basis because, at the time, there was no automatic means to determine whether an IP relay minute is intrastate or interstate.¹⁷ IP relay minutes were to be reimbursed at the same rate as traditional TRS minutes because it appeared that there was little difference in the costs of providing these services.¹⁸

After completing the analysis of IP relay data employing the measures noted in Section 3, NECA calculated the cost of IP relay per minute for each provider as follows: projected total 2005 IP relay costs were divided by projected total 2005 IP relay minutes excluding general assistance, and projected total 2006 IP relay costs were divided by projected total 2006 IP relay minutes excluding general assistance. The resulting individual provider's cost per minute for 2005 and 2006 was multiplied by that provider's total IP relay minutes excluding international to produce total costs per provider for each year. The IP average cost per minute ranged from \$1.04 to \$2.053 for 2005 and from \$1.012 to \$2.062 for 2006. To maintain the confidentiality of the IP providers' data, these individual calculations

¹⁶ See Exhibit 2, page 2A of 4, for development of the traditional TRS interstate forecast.

¹⁷ In April 2002, the Commission clarified that IP Relay falls within the statutory definition of TRS, and therefore, such services are eligible to recover their costs from the interstate TRS fund. On an interim basis, the Commission allowed recovery of all costs of provided IP Relay from the interstate fund because, at this time, there is no automatic means to determine whether an IP Relay minute is intrastate or interstate. In its *Second Further Notice of Proposed Rulemaking*, the Commission requested comments on whether this interim measure should be permanent. See *Provision of Improved Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, Petition for Clarification of WorldCom, Inc., CC Docket No. 98-67, Declaratory Ruling and Second Further Notice of Proposed Rulemaking*, 17 FCC Rcd 7779 (2002) (*IP Declaratory Ruling & Second FNPRM*).

¹⁸ See *IP Relay Declaratory Ruling & Second FNPRM* at ¶ 22.

are not included in the rate calculation exhibits. Only the total cost and demand projections and the calculation of the average cost per IP minute are shown.¹⁹

Traditional TRS and IP relay totals were then combined to determine the reimbursement rate for traditional TRS interstate and international minutes and all IP relay minutes, except international. (See Section 6 for TRS and IP relay average rate development.)

While traditional TRS has many years of growth data to use in forecasting, IP relay has only three years of historical data on which to base growth projections. The five providers who currently offer IP relay began offering it at different times during those three years. Based on conversations with other companies interested in offering IP relay, NECA anticipates the entry of one or two other providers during the next funding period. Also, unlike the forecast for traditional TRS interstate minutes, which is linked to providers' state contracts, IP relay growth is projected on a national basis. Accurate forecasting is inherently more difficult because providers' projections may overlap.

To develop the 2005 – 2006 IP forecast, NECA focused on the same four-month period as TRS, October 2004 – January 2005, because it showed steady growth compared to monthly fluctuations earlier in the year. The average minute growth for the period was 210,364. NECA then grew IP relay minutes by that average monthly amount, from March 2005 through June 2006, to arrive at a total number of minutes for the July 2005 – June 2006 funding period of 99.5 million.²⁰

¹⁹ See Exhibit 1B for IP rate development.

²⁰ See Exhibit 2, page 2B of 4, for development of the IP forecast.

6. TRS and IP Average Rate Development and Fund Requirement

Because the fund year consists of the last six months of one year and the first six months of the following year, a national average cost per minute of use covering this twelve-month period must be developed. Cost and demand totals for 2005 and 2006 for interstate traditional TRS and all IP, except international, were summed. Next, the total costs, \$299 million, were divided by the total minutes, 231 million, to produce an average cost per minute for July 2005 through June 2006 of \$1.294.²¹

Finally, the 1.4% cash working capital factor, described in Section 3 *supra*, was applied to the average cost per minute to determine the proposed reimbursement rate for traditional TRS, including captioned telephone VCO, and IP relay. NECA proposes a per minute reimbursement rate of \$1.312 for the July 2005 – June 2006 funding period.²²

Applying the proposed rate to the TRS forecast of 26.5 million minutes and the IP relay forecast of 99.5 million minutes, produces a funding requirement for these services totaling \$165.3 million.²³

7. STS Rate Development and Fund Requirement

In its *March 2000 Order*, the FCC authorized the reimbursement of interstate STS minutes, beginning in March 2001.²⁴ Because of the different characteristics of the service

²¹ The average rate for a traditional TRS interstate minute was calculated to be \$1.44; the average IP minute, \$1.278. The average cost per IP minute is \$0.162 less than the average cost of an interstate traditional TRS minute. See Section 10 for TRS Council recommendation on TRS and IP rates.

²² See Exhibit 1C for combined interstate traditional TRS and IP rate development.

²³ See Exhibit 4 TRS Fund Requirements.

²⁴ Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 98-67, *Report and Order and Further Notice of Proposed Rulemaking*, 15 FCC Rcd 5140 (2000) (*March 2000 Order*).

provided by the Communications Assistant (CA) when handling a STS call, i.e., communication of a speech conversation versus communication of a text conversation, a separate reimbursement rate has been developed for STS since its inception.

When providers' projected 2004 – 2005 STS costs, were quite close to the traditional TRS costs for that period, NECA projected that STS costs per minute would be sufficiently comparable to traditional TRS to permit compensation at the traditional TRS rate beginning in the 2005 – 2006 funding period. However, because the proposed reimbursement rate for STS for 2005 – 2006 is only \$0.017 less than the rate for 2004 - 2005 NECA is again proposing a separate STS reimbursement rate.

After analyzing the STS data using the methodology described in Section 3 above, NECA calculated the STS cost per minute of use for each provider as follows: projected total 2005 STS costs were divided by projected total 2005 STS minutes, and projected total 2006 STS costs were divided by projected total 2006 STS minutes. The resulting individual provider's cost per minute for 2005 and 2006 was multiplied by that provider's estimated 2005 and 2006 interstate minutes (including international minutes and the interstate allocation of toll free and 900 number minutes), to produce interstate costs by STS provider for each year. To maintain the confidentiality of the STS providers' data, these individual calculations are not included in the rate calculation exhibits. Only the total cost and demand projections and the calculation of the average cost per interstate STS minute are shown.²⁵

In developing the average cost per interstate STS minute, NECA found that most providers reflected an average cost per minute between \$1.386 and \$2.70 for 2005 and between \$1.415 and \$2.728 for 2006. However, one STS provider reported costs of more

²⁵ See Exhibit 1D for STS rate development.

than \$12 per minute - significantly different from the norm and about seven times the average of the other five providers.²⁶ After several discussions with the provider to determine why their STS costs were so high, NECA decided to exclude that provider's data from the rate development.²⁷

To calculate the average STS cost for July 2005 – June 2006, cost and demand totals for 2005 and 2006 for interstate STS were summed. Next, the total interstate costs, \$310 thousand, were divided by the total interstate minutes, 199 thousand, producing an average cost per minute of \$1.557. Finally, the 1.4% factor, explained in Section 3 above, was applied to the average cost per minute to produce a proposed reimbursement rate for interstate STS of \$1.579 per minute.

While STS minutes have increased during the past four years, a clear growth rate has not been discernible either annually or monthly. To develop the 2005 – 2006 forecast, NECA used the same period for STS as for TRS and IP and focused on the four months between October 2004 and January 2005. The average minute growth for the period was 283 minutes.²⁸ NECA then grew the STS minutes by that average monthly amount, from March 2005 through June 2006, to arrive at a total number of minutes for the July 2005 – June 2006 funding period of 187 thousand and a total fund requirement of \$295 thousand.²⁹

²⁶ This provider's STS occupancy of 5% was also quite different from what other providers reported. .

²⁷ NECA informed the provider in question of its intent to exclude the data that had been submitted. The provider accepted NECA's decision.

²⁸ See Exhibit 2, page 2C of 4, for the STS forecast.

²⁹ See Exhibit 4, TRS Fund Requirements.

8. VRS Rate Development and Fund Requirement

In the *March 2000 Order*, the Commission concluded that VRS was a form of TRS and permitted VRS to be compensated on an interim basis, using the same average per-minute methodology used for traditional TRS, so that providers could recover their reasonable costs related to providing VRS.³⁰ Although reimbursement for VRS was available beginning in October 2000, providers did not begin to offer VRS until the FCC authorized waivers of certain service requirements in December 2001.³¹ Since that time, the number of VRS providers has grown from two to eight, of which three provide VRS only.

In its analysis of VRS data, after providers had responded to questions, and clarified or modified cost data, NECA accepted all providers' costs except for one unique item. One VRS provider included expenses for Certified Deaf Interpreters (CDI), i.e., deaf interpreters who would help hearing interpreters on unusual or difficult calls; no other providers had such a position. After an extensive discussion with the provider to fully understand the role of the CDI, NECA concluded that its current set of job responsibilities did not warrant the associated expenses. If a hearing interpreter was having difficulty, another interpreter or a supervisor could assist on a troublesome call. The provider was advised that the CDI costs would be excluded from the VRS rate development; the provider accepted NECA's decision.

NECA calculated the average cost per minute per provider as follows: projected total 2005 VRS costs were divided by projected total 2005 VRS minutes excluding general assistance, and projected total 2006 VRS costs were divided by projected total 2006 VRS

³⁰ See *March 2000 Order* at ¶34.

³¹ Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 98-67, *Order*, 17 FCC Rcd 157 (2002).

minutes excluding general assistance. The VRS average cost per minute ranged from \$5.071 to \$10.512 for 2005, and from \$5.526 to \$11.193 for 2006. To maintain the confidentiality of the VRS providers' data, these individual calculations are not included in the rate calculation exhibits. Only the total cost and demand projections and the calculation of the average cost per VRS minute are shown. The total cost of \$321 million was divided by total minutes, 54.9 million, producing an average cost per minute for July 2005 through June 2006 of \$5.843. Application of the 1.4% factor to the average cost per VRS minute produces a proposed per-minute reimbursement rate for the funding period of \$5.924.³²

Like IP relay, VRS had limited historical data on which to base growth projections, and projecting accurately on a national basis is inherently more difficult. The eight providers now offering the service entered the market at various times during the past three years. Also, NECA has responded to several inquiries from potential new providers interested in offering VRS in the future.

In developing the 2005 – 2006 VRS forecast, NECA again focused on October 2004 through January 2005. NECA calculated the monthly increase and arrived at an average monthly minute growth of 120,845 for the period. NECA applied this average monthly growth in VRS minutes, from March 2005 through June 2006, to arrive at a total number of

³² The average cost per minute appears to be driven by the cost and demand characteristics of a single provider. The average produced by the traditional rate development methodology using all providers' data indicates that only one provider's cost per minute is below the average, while all other providers' costs are above the average. Because of the number of open issues before the FCC related to VRS, e.g., answer performance and interoperability and the timing of their resolution, and the likelihood of their adding costs to the provision of TRS, the Commission may wish to explore alternatives to the traditional rate calculation. To that end, NECA also calculated the VRS reimbursement rate excluding the low cost provider. Without that VRS provider, the reimbursement rate would be \$7.061, a difference of \$1.137.

minutes for the July 2005 – June 2006 funding period of 35.5 million. At \$5.924, per minute, NECA projects a VRS funding requirement of \$ 210.5 million.³³

9. Contribution Factor Calculation

In addition to the funding requirements for the four relay services, NECA's administrative expenses of approximately \$600 thousand, including TRS Council meeting costs and the cost of an annual audit by an independent auditor, are included in the total fund requirement. All NECA expenses associated with TRS are accounted for on a "keep-cost" basis and charged only to the TRS Fund.³⁴ NECA's projection of interest on invested funds for the July 2005 – June 2006 period is \$1 million, reducing the total funding requirement by that amount.

A safety margin of 10% is applied to the projected reimbursement to protect the fund in the event that actual minute growth exceeds forecast, or if the contribution base in July at the time of carrier billing turns out to be less than the April base used to calculate the contribution factor, as was the case in 2004.³⁵

Exhibit 4, Interstate TRS Fund Requirements, displays the development of the total TRS Fund requirement. Traditional TRS, IP, STS and VRS funding needs plus the safety margin and NECA administrative expenses, minus the interest income, is projected to be \$413.3 million for the July 2005 – June 2006 funding period.

³³ See Exhibit 4, TRS Fund Requirements. See Section 10 for TRS Council request concerning VRS rate.

³⁴ Expenditures are charged in accordance with NECA's Cost Allocation Manual which is filed annually with the FCC, most recently on December 30, 2004.

³⁵ At the time of the May 1, 2004 filing, the end-user interstate revenues reported to the TRS Fund Administrator by the Data Collection Agent amounted to \$81.2 billion. A factor of 0.00356 was calculated by dividing the funding requirement of \$289.4 million by the revenues of \$81.2 billion. However, when the annual billing was prepared in July 2004, the contribution base totaled \$80.7 billion. When the 0.00356 factor was applied to the smaller base, a total of \$287.5 million was billed resulting in a shortfall of almost \$2 million.

To calculate the proposed contribution factor for the TRS Fund, NECA used the carriers' 2004 end-user interstate and international revenues reported on the FCC Form 499A on April 1 and provided by USAC, the Revenue Data Collection Agent. Dividing the fund requirement of \$ 413.3 million by the interstate and international end-user carrier revenues of \$78.2 billion produces a factor of 0.00528.³⁶

Because of the continued strong growth of Internet and video relay services, and the anticipated growth of captioned telephone VCO minutes, NECA will continue to monitor the demand for the various relay services carefully. NECA will keep the TRS Advisory Council and the Commission informed of actual reported demand levels and provider payments as compared to forecasts.

10. Program Administration

A. Interstate TRS Fund Advisory Council Report and Recommendations

Pursuant to section 64.604 of the Commission's rules, the Interstate TRS Fund Advisory Council advises NECA on interstate TRS cost recovery matters.³⁷ The advisory council includes non-paid volunteers from the hearing and speech disability community, TRS users (voice and text telephone), state regulators and relay administrators, interstate service providers, and TRS providers. Appendix B, Exhibit 1 contains a listing of current Advisory Council members.³⁸

³⁶ At the VRS rate of \$7.061, the VRS fund requirement including the safety margin would be \$276 million. At the higher VRS rate, the total funding requirement would be \$457.8 million, and the contribution factor, 0.00585.

³⁷ 47 C.F.R. § 64.604(c)(5)(iii)(H).

³⁸ In a July 1999 Order, the FCC authorized the addition of a position in the hearing and speech disability community category for a representative from the speech disability community. *See* Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the Interstate TRS Advisory Council, CC Docket No. 90-571, *Memorandum Opinion and Order*, 14 FCC Rcd 10553 (1999).

The Council's September 2004 meeting was held in conjunction with the National Association of State Relay Administration's (NASRA) annual meeting, in Charleston, SC, on September 9, 2004. NECA presented the fund status and also reviewed changes to the annual center data request process. The Council discussed a billing issue related to 2-line inbound captioned telephone VCO service – the inability to determine the jurisdiction of the call minutes. It passed a motion recommending that the interstate TRS Fund reimburse relay service providers of 2-line captioned telephone VCO inbound calls using an allocation to determine interstate minutes which is 10% for the 2004 – 2005 fund year. A Petition for Declaratory Ruling requesting the FCC's approval of the allocation methodology was submitted to the FCC on December 10, 2004.

The Council also decided to establish a subcommittee to work on comments addressing the future roles of the Council in response to the *June 2004 Order*. The comments developed by the subcommittee and approved by the Council members were filed with the Commission on October 18, 2004.

On April 19, 2005, the Council met in Washington, DC, to review the proposed TRS, STS, IP and VRS reimbursement rates, fund size and carrier contribution factor for the July 2005 – June 2006 funding period prior to submission to the FCC. NECA staff presented the results of the annual relay service provider data collection and its proposed compensation rates for each service to the Council.

The Council expressed concern that the proposed combined traditional TRS interstate and IP reimbursement rate, \$1.312 per minute, penalizes TRS providers. The traditional TRS interstate reimbursement rate, if calculated separately, would be \$1.44 per minute, \$0.128 more than the combined rate and \$0.162 more than the IP reimbursement rate. In the early

stages of IP relay, providers stated that their costs to provide the service were virtually the same as traditional TRS.³⁹ Now that the service is maturing and growing significantly, the cost data no longer supports that early conclusion. The Council decided to recommend to the Commission that it seriously consider separate reimbursement rates, paying traditional TRS providers at an average reimbursement rate for their minutes based on their costs, calculated to be \$1.44 for 2005 – 2006; and IP providers at an average rate, in accordance with their costs, of \$1.278.⁴⁰

The decrease in the VRS rate from \$7.596 for 2004 – 2005 to the proposed rate of \$5.924 for 2005 - 2006 was also of concern to the Council members, especially in light of the impact of one low cost provider on that rate.⁴¹ The Commission has several open items before it related to VRS that could impact provider costs once the items are settled. The Council agreed to ask the Commission to leave open the opportunity to reexamine the VRS rate when decisions on average speed of answer and interoperability are reached.

Appendix B, Exhibit 2 contains meeting minutes for the April and September 2004 Council meetings.

B. Audit Report

NECA has, to date, conducted 27 financial reviews of relay service providers. At least three reviews will be performed in 2005.

On December 1, 2004, NECA submitted copies of the financial statements of the TRS Fund for its eleventh year of operation, together with reports from an independent

³⁹ See *IP Declaratory Ruling & Second FNPRM* at ¶22.

⁴⁰ If the FCC chose to reimburse traditional TRS providers and IP providers at the rates of \$1.44 and \$1.278 respectively, the total TRS Fund requirement would increase less than \$12 thousand and the contribution factor of 0.00528 would remain the same.

⁴¹ See FN 32 and 36.

certified accounting firm in accordance with sections 64.604(c)(5)(iii)(D) and (H) of the FCC's rules.⁴² NECA expects that the audit of the October 2004 – September 2005 fiscal period, will begin in October and the financial statements will be submitted to the Commission in late December 2005.

⁴² 47 C.F.R. § 64.604(c)(5)(iii)(D) and (H).

11. Exhibits

This section contains the exhibits referenced previously in this filing.

Exhibit:

1A Displays calculations of traditional TRS cost per interstate minute of use, and providers' projected total TRS costs and minutes for 2005 and 2006 using the aggregate data assembled by NECA.

1B Displays calculations of IP cost per minute of use, and providers' projected total IP costs and minutes for 2005 and 2006 using the aggregate data assembled by NECA.

1C Displays calculation of the payment formula and the traditional TRS and IP reimbursement rate for July 2005 through June 2006.

1D Displays calculations of Speech to Speech (STS) cost per interstate minute of use, and providers' projected total STS costs and minutes for 2005 and 2006 using the aggregate data assembled by NECA. Also, displays calculation of the payment formula and the STS interstate reimbursement rate for July 2005 through June 2006.

1E Displays calculations of Video Relay Service (VRS) cost per minute of use, and providers' projected VRS costs and minutes for 2005 and 2006 using the aggregate data assembled by NECA. Also, displays calculations of the payment formula and the VRS reimbursement rate for July 2005 through June 2006.

2 Displays actual Fund performance and projections for the funding period 1993 through June 2006. Each annual period for funding includes twelve monthly increments. In 2000, the period changed from April through the following March to July through the following June. Separate pages, 2A, 2B, 2C and 2D display TRS and IP, STS and VRS fund requirements respectively.

- 3 Displays month by month expenses incurred by NECA to administer the TRS Fund for the previous 12 months.
- 4 Displays the calculation of the total TRS and IP, STS and VRS funding requirements for the period July 2005 through June 2006, and calculation of the carrier contribution factor.
- 5 Displays the providers' schedule for reporting relay minutes of use to NECA, and the schedule for disbursing associated payments for July 2005 through June 2006.

TRS Provider 2005 - 2006 Rate Calculation
Traditional TRS Service

	Total Minutes Excluding General Assistance Minutes (A)	Total Costs \$\$\$ (B)	Interstate Conversation Minutes (C)	Interstate Costs \$\$\$ (D)	Average Cost Per Interstate TRS Minute TRS	
2005 TOTALS	133,386,805	\$183,843,039	24,673,049	\$34,467,242	2005	\$1.397
2006 TOTALS	126,627,242	\$179,877,983	23,275,510	\$33,617,428	2006	\$1.444
ANNUAL TOTALS	260,014,047	\$363,721,022	47,948,559	\$68,084,670	TOTAL	\$1.420
Average Cost per Interstate TRS Minute	= <u>Total Interstate Costs</u> (D)		Total Interstate Minutes (C)	\$1.420		

TRS Provider 2005 - 2006 Rate Calculation
Internet Protocol Relay Service

	Total Minutes Excluding General Assistance Minutes (A)	Total Costs \$\$\$ (B)	Total Minutes Excluding International Minutes (C)	IP Costs \$\$\$ (D)	Average Cost Per IP Minute	
					IP	
2005 TOTALS	85,882,551	\$107,306,277	85,487,903	\$106,805,579	2005	\$1.249
2006 TOTALS	98,130,623	\$124,663,623	97,676,215	\$124,081,106	2006	\$1.270
ANNUAL TOTALS	184,013,174	\$231,969,900	183,164,118	\$230,886,685	TOTAL	\$1.261
Average Cost per IP Minute	= <u>IP Costs (D)</u>		Total Minutes excl. Gen'l Assist. & Intern'l Minutes (C)			
						\$1.261

TRS Provider 2005 - 2006 Rate Calculation
Combined Traditional TRS & IP Relay Service

	Trad TRS Interstate Conversation Minutes (A)	IP Conversation Minutes (B)	Total TRS and IP Minutes (C)	Trad TRS Interstate Costs \$\$\$ (D)	IP Costs \$\$\$ (E)	Total TRS and IP Costs \$\$\$ (F)	Average Cost Per Minute			
							TRS	IP	TRS & IP	
2005 TOTALS	24,673,049	85,487,903		\$34,467,242	\$106,805,579		2005	\$1.397	\$1.249	\$1.282
2006 TOTALS	23,275,510	97,676,215		\$33,617,428	\$124,081,106		2006	\$1.444	\$1.270	\$1.304
ANNUAL TOTALS	47,948,559	183,164,118	231,112,677	\$68,084,670	\$230,886,685	\$298,971,355	TOTAL	\$1.420	\$1.261	\$1.294
							* 1.4%	\$1.440	\$1.278	\$1.312
Average Cost per Minute	= $\frac{\text{Total Costs (F)}}{\text{Total Minutes (C)}}$					\$1.294				

Average Cost Per Minute*Allowance for Cash Working Capital (1.4%) =

\$1.312

**REIMBURSEMENT RATE FOR TRADITIONAL INTERSTATE TRS
AND INTERNET PROTOCOL (IP) MINUTES
FOR JULY 2005 - JUNE 2006 = \$1.312**

TRS Provider 2005 - 2006 Rate Calculation
Speech to Speech Relay Service

	Total Minutes Excluding General Assistance Minutes (A)	Total Costs \$\$\$ (B)	Interstate Conversation Minutes (C)	Interstate Costs \$\$\$ (D)
2005 TOTALS	542,536	\$837,349	97,409	\$150,438
2006 TOTALS	571,731	\$895,699	101,451	\$159,242
ANNUAL TOTALS	1,114,267	\$1,733,048	198,860	\$309,680
Average Cost per Interstate STS Minute	= <u>Total Interstate Costs (D)</u> Total Interstate Minutes (C)			\$1.557

Average Cost Per Interstate STS Minute*Allowance for Cash Working Capital (1.4%) = \$1.579

REIMBURSEMENT RATE FOR SPEECH TO SPEECH INTERSTATE MINUTES
FOR JULY 2005 - JUNE 2006 = \$1.579

**TRS Provider 2005 - 2006 Rate Calculation
Video Relay Service**

	Total Minutes Excluding General Assistance Minutes (A)	Total Costs \$\$\$ (B)
2005 TOTALS	21,949,602	\$126,121,270
2006 TOTALS	32,999,397	\$194,928,195
ANNUAL TOTALS	54,948,999	\$321,049,465
Average Cost per VRS Minute	$= \frac{\text{Total Costs (B)}}{\text{Total Minutes (A)}}$	
		\$5.843

Average Cost Per VRS Minute*Allowance for Cash Working Capital (1.4%) = \$5.924

**REIMBURSEMENT RATE FOR VIDEO RELAY MINUTES
FOR JULY 2005 - JUNE 2006 = \$5.924**

TRS FUND PERFORMANCE
(Actuals, July 1993 thru March 2005)

Exhibit 2
Page 1 of 6

Date	Receivables	Collections	Refunds	Receivables Due	Expenses	Interest Income	Payment Obligations	Disbursements
1993 Totals	\$19,152,480	\$17,349,362	\$16,850	\$1,819,968	\$490,356	\$66,898	\$9,860,150	\$5,529,230
1994 Totals	\$31,532,185	\$32,111,847	\$8,415	\$1,248,721	\$435,377	\$797,267	\$26,830,588	\$26,462,271
1995 Totals	\$19,770,711	\$20,818,552	\$18,214	\$219,094	\$284,535	\$1,004,836	\$23,734,261	\$24,163,682
1996 Totals	\$26,258,425	\$24,631,915	\$4,051	\$1,849,655	\$328,700	\$624,800	\$36,034,602	\$33,124,807
1997 Totals	\$48,755,747	\$49,581,125	\$36,855	\$1,061,132	\$298,800	\$780,900	\$36,689,286	\$36,110,944
1998 Totals	\$41,615,847	\$40,668,284	\$32,048	\$2,040,743	\$388,500	\$1,355,000	\$38,318,914	\$38,993,717
1999 Totals	\$38,745,304	\$39,871,369	\$33,129	\$947,807	\$348,100	\$1,306,400	\$43,349,529	\$40,028,914
2000 Totals	\$42,563,365	\$41,432,059	\$144,878	\$2,223,991	\$464,400	\$1,724,900	\$48,251,760	\$45,832,004
2001 Totals	\$59,736,853	\$60,123,734	\$488,031	\$2,325,141	\$527,400	\$1,079,800	\$61,702,063	\$49,065,431
2002 Totals	\$64,191,919	\$64,801,231	\$393,238	\$2,109,067	\$538,250	\$711,950	\$65,706,337	\$61,007,585
2003 Totals	\$89,713,423	\$90,470,097	\$848,466	\$2,200,859	\$440,025	\$276,393	\$100,308,375	\$116,621,961
1/04	\$8,317,509	\$8,777,331	\$3,074	\$1,744,111	\$33,077	\$6,610	\$8,047,339	\$11,031,842
2/04	\$8,451,769	\$8,706,241	-\$1,707	\$1,487,932	\$36,321	\$4,884	\$8,134,791	\$12,666,878
3/04	\$27,710,754	\$26,581,726	-\$205	\$1,962,106	\$49,049	\$8,357	\$13,159,329	\$14,010,082
4/04	\$20,281,390	\$20,672,308	\$113,160	\$1,684,348	\$97,304	\$12,267	\$14,142,064	\$13,263,383
5/04	\$20,235,069	\$20,411,371	\$2,652	\$1,510,698	\$57,548	\$17,583	\$15,246,973	\$15,655,244
6/04	\$20,290,999	\$19,508,173	\$84	\$2,293,609	\$43,434	\$21,142	\$16,491,022	\$14,895,586
7/04	\$69,310,963	\$55,286,505	\$0	\$16,318,066	\$30,579	\$37,309	\$17,893,763	\$19,927,038
8/04	\$12,461,228	\$22,822,812	\$5,390	\$5,961,873	\$99,220	\$74,556	\$35,189,851	\$33,734,908
9/04	\$19,268,334	\$21,154,467	\$0	\$4,075,740	\$65,864	\$80,229	\$18,342,566	\$17,939,811
10/04	\$21,769,761	\$21,226,158	\$3	\$4,619,345	\$85,082	\$93,168	\$19,028,758	\$18,503,576
11/04	\$20,340,655	\$20,533,214	\$20,053	\$4,446,839	\$49,198	\$104,288	\$19,715,098	\$19,313,239
12/04	\$21,693,937	\$20,592,204	\$30,000	\$5,578,571	\$71,115	\$113,845	\$20,401,584	\$20,059,575
2004 Totals	\$270,132,368	\$266,272,510	\$172,503	\$1,684,348	\$717,790	\$574,240	\$205,793,138	\$211,001,162
1/05	\$20,475,723	\$20,667,291	\$56,348	\$5,828,021	\$38,407	\$129,397	\$21,188,524	\$25,918,703
2/05	\$20,858,378	\$19,938,290	\$37,819	\$6,785,928	\$35,488	\$111,726	\$22,616,316	\$24,194,409
3/05	\$20,412,578	\$21,002,517	\$29,738	\$6,225,728	\$53,695	\$129,282	\$23,330,442	\$30,860,256
2005 Totals	\$61,746,679	\$61,608,098	\$123,905	\$18,839,677	\$127,590	\$370,405	\$67,135,282	\$80,973,368
Totals	\$813,915,306	\$809,740,182	\$2,320,583	\$18,839,677	\$5,389,822	\$10,673,789	\$763,714,285	\$768,915,075

MISCELLANEOUS FUND STATISTICS

of FCC 499A forms used to calculate TRS base: 4,208 Forms + 1,252 Non-Responders

2004 End user interstate & int'l revenues: \$78,223,112,047

Number of TRS/IP/STS/VRS providers currently receiving reimbursement: 11

4/22/2005

Traditional TRS Interstate Minutes
Fund Requirements For January 1, 2002 Thru June 30, 2006

Exhibit 2
Page 2A of 6

Date	Actual Reported Minutes	Interstate Minutes	Toll Free Minutes	900 Min.	Int'l Min.	Total TRS Minutes	Disbursements
2002	30,332,278	12,801,690	17,527,658	2,930	0	30,332,278	\$47,083,892
2003	25,953,616	11,488,936	14,321,315	1,667	141,698	25,953,616	\$37,619,912
Jan 2004	2,188,805	936,041	1,241,936	67	10,761	2,188,805	\$2,994,285
Feb	1,981,581	850,220	1,124,079	49	7,233	1,981,581	\$2,710,803
Mar	2,167,955	928,292	1,227,689	121	11,853	2,167,955	\$2,965,762
Apr	2,044,213	905,900	1,128,190	126	9,997	2,044,213	\$2,796,483
May	2,178,255	1,041,400	1,126,021	265	10,569	2,178,255	\$2,979,853
June	2,027,449	899,050	1,114,040	70	14,289	2,027,449	\$2,773,550
July ****	1,855,266	782,702	1,058,793	27	13,744	1,855,266	\$2,502,754
Aug	2,054,586	927,351	1,111,341	8	15,886	2,054,586	\$2,771,637
Sept	1,958,892	890,411	1,054,391	25	14,065	1,958,892	\$2,642,545
Oct	1,955,610	879,339	1,047,157	38	29,076	1,955,610	\$2,638,118
Nov	1,989,723	911,874	1,059,157	113	18,579	1,989,723	\$2,684,136
Dec	2,010,719	942,902	1,037,588	33	30,196	2,010,719	\$2,810,985
2004	24,413,054	10,895,482	13,330,382	942	186,248	24,413,054	\$33,270,912
Jan 2005	2,047,626	939,514	1,091,640	113	16,359	2,047,626	\$2,862,581
Feb	1,793,912	815,334	965,266	65	13,247	1,793,912	\$2,507,889
Mar	1,998,116	1,060,659	925,627	3	11,827	1,998,116	\$2,793,366
Date	Projected Minutes					Total Projected TRS Minutes	Projected Payment Obligations
(Projection based on average increase in monthly minutes between 10/04 -1/05 - 22,183)							(Proj. Min *1.398)
April	2,020,299	0	0	0	0	2,020,299	\$2,824,378
May	2,042,482	0	0	0	0	2,042,482	\$2,855,390
June	2,064,665	0	0	0	0	2,064,665	\$2,886,402
Date	Projected Minutes	Providers' Projection				Total Projected TRS Minutes	Projected Payment Obligations
(Projection based on average increase in monthly minutes between 10/04-1/05 - 22,183)							(Proj. Min *1.312)
July 2005	2,086,848	0	0	0	0	2,086,848	\$2,737,945
Aug	2,109,031	0	0	0	0	2,109,031	\$2,767,049
Sept	2,131,214	0	0	0	0	2,131,214	\$2,796,153
Oct	2,153,397	0	0	0	0	2,153,397	\$2,825,257
Nov	2,175,580	0	0	0	0	2,175,580	\$2,854,361
Dec	2,197,763	0	0	0	0	2,197,763	\$2,883,465
Jan 2006	2,219,946	0	0	0	0	2,219,946	\$2,912,569
Feb	2,242,129	0	0	0	0	2,242,129	\$2,941,673
March	2,264,312	0	0	0	0	2,264,312	\$2,970,777
April	2,286,495	0	0	0	0	2,286,495	\$2,999,881
May	2,308,678	0	0	0	0	2,308,678	\$3,028,986
June	2,330,861	0	0	0	0	2,330,861	\$3,058,090
26,506,254 *24,673,049		0	0	0	0	26,506,254	\$34,776,205
7/05-6/06		* Exh. 1A 2005 Projected Minutes					

**** Captioned Telephone VCO minutes included, starting July 2004.

4/22/2005

Internet Protocol Minutes
Fund Requirements For April 22, 2003 Thru June 30, 2006

Date	Actual Reported Minutes	Non Int'l Non Toll Free Non 900 Minutes	Int'l Minutes	900 Min.	Toll Free Minutes	Total IP Minutes	Disbursements
2003	40,452,414	32,746,694	585,813	1	7,119,906	40,452,414	\$57,805,855
Jan 2004	5,325,009	4,275,946	0	0	1,049,063	5,325,009	\$7,284,612
Feb	4,663,443	3,857,479	0	0	805,964	4,663,443	\$6,379,590
Mar	5,235,048	4,233,239	0	0	1,001,809	5,235,048	\$7,161,546
Apr	4,730,360	3,823,406	0	0	906,954	4,730,360	\$6,471,132
May	4,567,870	3,760,221	0	872	806,777	4,567,870	\$6,248,846
June	4,799,564	3,947,614	0	0	851,950	4,799,564	\$6,565,804
July	5,317,443	4,323,989	0	0	993,454	5,317,443	\$7,173,231
Aug	5,391,896	4,382,499	0	0	1,009,397	5,391,896	\$7,273,668
Sept	5,526,085	4,533,617	0	0	992,468	5,526,085	\$7,454,689
Oct	5,870,027	4,814,241	0	0	1,055,786	5,870,027	\$7,918,666
Nov	5,889,086	4,848,877	0	0	1,040,209	5,889,086	\$7,944,377
Dec	6,217,038	5,096,441	0	0	1,120,597	6,217,038	\$8,691,419
2004	63,532,869	51,897,569	0	872	11,634,428	63,532,869	\$86,567,580
Jan 2005	6,367,542	5,213,488	0	0	1,154,054	6,367,542	\$8,901,824
Feb	6,064,553	4,990,796	0	0	1,073,757	6,064,553	\$8,478,245
Mar	6,292,462	5,109,591	0	0	1,182,871	6,292,462	\$8,796,862
Date	Projected Minutes					Total Projected IP Minutes	Projected Payment Obligations
(Projection based on average increase in monthly minutes between 10/04-1/05 - 210,364)							(Proj. Min *1.398)
Apr	6,502,826	0	0	0	0	6,502,826	\$9,090,951
May	6,713,190	0	0	0	0	6,713,190	\$9,385,040
June	6,923,554	0	0	0	0	6,923,554	\$9,679,128
Date	Projected Minutes	Providers' Projection				Total Projected IP Minutes	Projected Payment Obligations
(Projection based on average increase in monthly minutes between 10/04-1/05 - 210,364)							(Proj. Min*1.312)
July 2005	7,133,918	0	0	0	0	7,133,918	\$9,359,700
Aug	7,344,282	0	0	0	0	7,344,282	\$9,635,698
Sept	7,554,646	0	0	0	0	7,554,646	\$9,911,696
Oct	7,765,010	0	0	0	0	7,765,010	\$10,187,693
Nov	7,975,374	0	0	0	0	7,975,374	\$10,463,691
Dec	8,185,738	0	0	0	0	8,185,738	\$10,739,688
Jan 2006	8,396,102	0	0	0	0	8,396,102	\$11,015,686
Feb	8,606,466	0	0	0	0	8,606,466	\$11,291,683
Mar	8,816,830	0	0	0	0	8,816,830	\$11,567,681
Apr	9,027,194	0	0	0	0	9,027,194	\$11,843,679
May	9,237,558	0	0	0	0	9,237,558	\$12,119,676
June	9,447,922	0	0	0	0	9,447,922	\$12,395,674
Totals	99,491,040	*97,676,215	0	0	0	99,491,040	\$130,532,244
	7/05-6/06	*Exh. 1B 2006 Projected Minutes					

4/22/2005

**Speech to Speech Interstate Minutes
Fund Requirements For March 1, 2001 Thru June 30, 2006**

Exhibit 2
Page 2C of 6

Date	Actual Reported Minutes	Interstate Minutes	Toll Free Minutes	900 Min.	Int'l Minutes	Total STS Minutes	Disbursements
2001	74,448	21,118	53,330	0	0	74,448	240,218
2002	88,920	29,586	59,311	23	0	88,920	284,954
2003	119,297	38,129	80,891	98	179	119,297	\$376,448
Jan 2004	12,182	3,917	8,221	6	38	12,182	\$29,785
Feb	8,762	2,039	6,714	0	9	8,762	\$21,423
Mar	11,007	3,011	7,994	2	0	11,007	\$26,912
Apr	10,249	2,853	7,358	17	21	10,249	\$25,059
May	12,473	3,564	8,880	16	13	12,473	\$30,496
June	10,665	3,714	6,927	0	24	10,665	\$26,076
July	11,078	3,677	7,345	0	56	11,078	\$15,952
Aug	9,651	3,382	5,961	0	308	9,651	\$13,897
Sept	8,731	2,717	5,931	68	15	8,731	\$12,573
Oct	11,870	4,355	7,452	63	0	11,870	\$17,093
Nov	13,392	5,257	7,982	91	62	13,392	\$19,284
Dec	10,419	3,246	7,111	0	62	10,419	\$16,629
2004	130,479	41,732	87,876	263	608	130,479	\$255,180
Jan 2005	9,862	2,635	6,944	257	26	9,862	\$15,740
Feb	13,362	4,320	8,861	71	110	13,362	\$21,326
Mar	12,902	5,335	7,444	68	55	12,902	\$20,592
Date	Projected Minutes					Total Projected STS Minutes	Projected Payment Obligations
(Projection based on average increase in monthly minutes between 10/04-1/05 - 283)							(Proj. Min. *1.596)
April	13,185	0	0	0	0	13,185	\$21,043
May	13,468	0	0	0	0	13,468	\$21,495
June	13,751	0	0	0	0	13,751	\$21,947
Date	Projected Minutes	Providers' Projection				Total Projected STS Minutes	Projected Payment Obligations
(Projection based on average increase in monthly minutes between 10/04-1/05 - 283)							(Proj. Min. *1.579)
July 2005	14,034	0	0	0	0	14,034	\$22,160
Aug	14,317	0	0	0	0	14,317	\$22,607
Sept	14,600	0	0	0	0	14,600	\$23,053
Oct	14,883	0	0	0	0	14,883	\$23,500
Nov	15,166	0	0	0	0	15,166	\$23,947
Dec	15,449	0	0	0	0	15,449	\$24,394
Jan 2006	15,732	0	0	0	0	15,732	\$24,841
Feb	16,015	0	0	0	0	16,015	\$25,288
Mar	16,298	0	0	0	0	16,298	\$25,735
April	16,581	0	0	0	0	16,581	\$26,181
May	16,864	0	0	0	0	16,864	\$26,628
June	17,147	0	0	0	0	17,147	\$27,075
Totals	187,086	*105,713	0	0	0	187,086	\$295,409
7/05 - 6/06 *Exh. 1D 2006 Projected Minutes							

* Includes minutes of provider whose costs were excluded.

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Video Relay Service Minutes
Fund Requirements For January 1, 2002 Thru June 30, 2006

Exhibit 2
Page 2D of 6

Date	Actual Reported Minutes	Intrastate Minutes	Interstate Minutes	Toll Free Minutes	900 Min.	Intn'l Minutes	Total VRS Minutes	Disbursements
2002	530,053	204,272	158,707	167,068	6	0	530,053	\$9,034,753
2003	2,843,916	520,933	1,406,979	871,943	884	43,177	2,843,916	\$31,000,704
Jan 2004	477,539	99,552	211,741	156,816	14	9,416	477,539	\$3,701,405
Feb	534,536	122,714	228,502	176,010	0	7,310	534,536	\$4,143,189
Mar	709,718	178,585	297,926	226,170	0	7,037	709,718	\$5,501,024
Apr	722,863	189,954	297,928	225,898	0	9,083	722,863	\$5,602,911
May	733,040	206,095	293,231	222,987	0	10,727	733,040	\$6,490,336
June	869,003	245,561	332,246	280,401	1	10,794	869,003	\$7,694,153
July	943,747	289,886	338,120	302,810	0	12,931	943,747	\$6,882,747

Date	Actual Reported Minutes	Non Int'l Non Toll Free Non 900 Minutes	Toll Free Minutes	900 Min.	Int'l Minutes	Total VRS Minutes	Disbursements
Aug	1,080,983	726,124	0	342,096	4	12,759	\$7,883,609
Sept	1,150,935	784,275	0	351,118	0	15,542	\$8,393,769
Oct	1,198,322	805,125	0	374,103	1	19,093	\$8,739,362
Nov	1,290,522	865,803	0	406,906	46	17,767	\$9,411,777
Dec	1,424,155	928,974	0	473,409	0	21,772	\$10,817,881
2004	11,135,363	5,442,648	1,999,694	3,538,724	66	154,231	\$85,262,163
Jan 2005	1,634,316	1,064,752	0	546,251	0	23,313	\$12,414,264
	1,574,378	1,031,429	0	519,549	0	23,400	\$11,958,975
	1,813,388	1,178,082	0	599,197	1	36,108	\$13,774,495

Date	Projected VRS Minutes	Projected VRS Minutes	Projected VRS Minutes	Projected VRS Minutes	Projected VRS Minutes	Projected VRS Minutes	Projected Payment Obligations
(Projection based on average increase in monthly minutes between 10/04-1/05 - 120,845)							(Prov. Proj. *7.596)
Apr	1,934,233	0	0	0	0	0	\$14,692,434
May	2,055,078	0	0	0	0	0	\$15,610,372
June	2,175,923	0	0	0	0	0	\$16,528,311

Date	Projected Minutes	Providers' Projection	Projected VRS Minutes	Projected Payment Obligations
(Projection based on average increase in monthly minutes between 10/04-1/05 - 120,845)				
July 2005	2,296,768	0	0	\$13,606,054
Aug	2,417,613	0	0	\$14,321,939
Sept	2,538,458	0	0	\$15,037,825
Oct	2,659,303	0	0	\$15,753,711
Nov	2,780,148	0	0	\$16,469,597
Dec	2,900,993	0	0	\$17,185,483
Jan 2006	3,021,838	0	0	\$17,901,368
Feb	3,142,683	0	0	\$18,617,254
Mar	3,263,528	0	0	\$19,333,140
April	3,384,373	0	0	\$20,049,026
May	3,505,218	0	0	\$20,764,911
June	3,626,063	0	0	\$21,480,797
Is	35,536,986	*32,999,397	0	\$210,521,105

7/05-6/06

*Exh. 1E Projected 2006 Minutes

4/22/2005

TRS FUND PERFORMANCE AND PROJECTIONS
(July 26, 1993 thru June 30, 2006)

Exhibit 2
Page 6 of 6

Date	Receivables	Collections	Refunds	Receivables Due	Expenses	Interest Income	Payment Obligations	Disbursements
2000 Totals	\$42,563,365	\$41,432,059	\$144,878	\$2,223,991	\$464,400	\$1,724,900	\$48,251,759	\$45,832,004
2001 Totals	\$59,736,853	\$60,123,734	\$488,031	\$2,325,141	\$527,400	\$1,079,800	\$61,702,063	\$49,065,431
2002 Totals	\$64,191,919	\$64,801,231	\$393,238	\$2,109,067	\$538,250	\$711,950	\$65,706,338	\$61,007,585
2003 Totals	\$89,713,423	\$90,470,097	\$848,486	\$2,200,879	\$440,082	\$276,393	\$100,308,377	\$116,620,837
1/04	8,317,509	8,777,331	\$3,074	1,744,131	33,077	\$6,610	8,047,339	11,031,842
2/04	8,451,769	8,706,241	-\$1,707	1,487,952	36,321	\$4,884	8,134,791	12,666,878
3/04	27,710,754	26,851,726	-\$205	2,346,775	49,049	\$8,357	13,159,329	14,010,082
4/04	20,281,390	20,672,308	\$113,160	2,069,017	97,304	\$12,267	14,142,064	13,263,383
5/04	20,235,069	20,411,371	2,652	1,895,367	57,548	\$17,583	15,246,973	15,655,244
6/04	20,290,999	19,508,173	84	2,678,277	43,434	\$21,142	16,491,022	14,895,586
7/04	69,310,963	55,286,505	0	16,702,735	30,579	\$37,309	17,893,763	19,927,038
8/04	12,461,228	22,822,812	5,390	6,346,541	99,220	\$74,556	35,189,851	33,734,908
9/04	19,268,334	21,154,467	0	4,460,408	65,864	\$80,229	18,342,566	17,939,811
10/04	21,769,761	21,226,158	3	5,004,014	85,082	\$93,168	19,028,758	18,503,576
11/04	20,340,655	20,533,214	20,053	4,831,508	49,198	\$104,288	19,715,098	19,313,239
12/04	21,693,937	20,592,204	30,000	5,963,241	71,115	\$113,845	20,401,584	20,059,575
2004 Totals	\$270,132,368	\$266,542,510	\$172,504	\$5,963,241	\$717,791	\$74,238	\$205,793,138	\$211,001,161
1/05	20,475,723	20,667,291	56,348	5,828,021	38,407	\$129,397	21,188,524	25,918,703
2/05	20,858,378	19,938,290	37,819	6,785,928	35,488	\$111,726	22,616,316	24,194,409
3/05	20,412,578	21,002,517	29,739	6,225,728	53,695	\$129,282	23,330,442	30,860,256
4/05	20,548,879	13,387,304 *	55,588	13,442,892 *	54,769 *	\$58,333 *	24,022,721	25,385,315
5/05	20,448,252 *	16,945,572 *	0 *	16,945,572 *	55,864 *	\$58,333 *	26,628,806 1	26,628,806 1
6/05	20,448,252 *	18,696,912 *	0 *	18,696,912 *	56,982 *	\$58,333 *	27,872,297 1	27,872,297 1
7/05	110,329,989 *	64,513,450 *	0 *	64,513,450 *	58,121 *	\$83,333 *	29,115,788 2	29,115,788 2
8/05	27,582,497 *	46,047,974 *	0 *	46,047,974 *	59,284 *	\$83,333 *	25,725,858 2	25,725,858 2
9/05	27,582,497 *	36,815,235 *	0 *	36,815,235 *	60,470 *	\$83,333 *	26,747,293 2	26,747,293 2
10/05	27,582,497 *	32,198,866 *	0 *	32,198,866 *	61,679 *	\$83,333 *	27,768,727 2	27,768,727 2
11/05	27,582,497 *	29,890,682 *	0 *	29,890,682 *	62,912 *	\$83,333 *	28,790,161 2	28,790,161 2
12/05	27,582,497 *	28,736,589 *	0 *	28,736,589 *	64,171 *	\$83,333 *	29,811,596 2	29,811,596 2
2005 Totals	371,434,536	348,840,682	179,494	28,736,589	661,843	1,045,402	313,618,528	328,819,208
1/06	27,582,497 *	28,159,543 *	0 *	28,159,543 *	65,454 *	\$83,333 *	30,833,030 2	30,833,030 2
2/06	27,582,497 *	28,159,543 *	0 *	28,159,543 *	66,763 *	\$83,333 *	31,854,464 2	31,854,464 2
3/06	27,582,497 *	13,791,249 *	0 *	13,791,249 *	68,099 *	\$83,333 *	32,875,898 2	32,875,898 2
4/06	27,582,497 *	27,871,020 *	0 *	27,871,020 *	69,460 *	\$83,333 *	33,897,333 2	33,897,333 2
5/06	27,582,497 *	27,871,020 *	0 *	27,871,020 *	70,850 *	\$83,333 *	34,918,767 2	34,918,767 2
6/06	27,582,497 *	20,686,873 *	0 *	20,686,873 *	72,267 *	\$83,337 *	35,940,201 2	35,940,201 2
7/06							36,961,636 2	36,961,636 2
2006 Totals	165,494,982	146,539,248	0	20,686,873	412,893	500,002	237,281,329	237,281,329
Totals (July 1993 thru June 2006)	\$1,289,098,145	\$1,243,782,015	\$2,376,193	\$20,686,873	\$6,337,026	\$11,849,386	\$1,247,478,875	\$1,254,041,120
* Projected								
<div> <div> Fund Balance Calculation Total Fund \$1,289,098,145 NECA Expenses (\$6,337,026) Interest Income \$11,849,386 Payments (\$1,254,041,120) Fund Balance \$40,569,384 </div> <div> 1 Projected Payment Obligation/Disbursement estimates for March 2005 thru June 2005 calculated using \$1.398/interstate TRS and per intrastate and interstate IP minute, \$1.596/interstate STS minute, and \$7.596/intrastate & interstate VRS minutes. 2 Projected Payment Obligation/Disbursement estimates for July 2005 thru June 2006 calculated using \$1.312/interstate TRS minute and per intrastate and interstate IP TRS minute, \$1.579 interstate STS minute, and \$5.924/intrastate & interstate VRS minutes. </div> </div>								

DETAILED NECA EXPENSES
(JULY 1993 TO MARCH 2005)
(000's)

Exhibit 3
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	JUL '93 THRU MAR '04	ACTUALS	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	GRAND TOTAL
SALARIES															
SALARIES	678.8	12.4	11.9	12.5	12.4	12.4	12.4	12.4	11.9	12.4	13.0	16.0	15.3	17.5	838.9
OVERTIME	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2
INCENTIVE PLAN EXPENSE	29.7	1.3	0.1	1.0	1.4	1.4	1.2	1.1	1.4	1.5	1.4	1.9	1.8	1.9	45.7
SALARIES CONTRA	29.1	-1.1	(8.8)	(2.8)	(2.7)	(2.7)	(2.7)	(2.7)	17.4	2.1	4.7	0.0	0.0	0.0	32.5
SALARIES	738.8	12.6	3.2	10.7	11.1	10.9	10.8	10.8	30.7	16.0	19.1	17.9	17.1	19.4	918.3
OVERHEADS															
OVERHEAD CHURN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OVERHEADS	198.1	5.5	4.7	4.3	4.3	4.4	4.4	4.4	4.2	4.0	2.1	6.2	6.0	6.3	254.5
OVERHEADS CONTRA	0.6	(0.3)	(2.8)	-0.8	-0.8	(0.8)	(0.8)	(0.8)	4.7	0.5	0.7	0.0	0.0	0.0	0.2
OVERHEADS	198.7	5.2	1.9	3.5	3.5	3.6	3.6	3.6	8.9	4.5	2.8	6.2	6.0	6.3	254.7
CONTRACT LABOR															
CONTRACT LABOR	40.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0
CONTRACT LABOR	40.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0
TRAVEL															
AIR TRAVEL	40.4	0.4	0.2	0.0	0.0	0.0	0.0	0.5	0.2	0.0	0.0	0.0	0.0	0.3	42.0
OTHER TRANSPORTATION	18.2	0.2	1.0	0.6	0.0	0.0	1.1	0.5	1.6	0.0	0.4	0.0	0.3	0.0	23.9
TRAVEL MEALS	6.0	0.1	0.1	0.1	0.0	0.0	0.1	0.1	(0.1)	0.0	0.0	0.0	0.0	0.1	6.5
LODGING	20.7	0.0	0.0	0.4	0.0	0.1	0.2	0.2	0.5	0.0	0.0	0.0	0.1	0.0	22.0
OTHER TRAVEL	0.9	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2
TRAVEL	86.2	0.9	1.4	1.1	0.0	0.0	1.3	1.3	2.2	0.0	0.4	0.0	0.4	0.4	95.6
MISCELLANEOUS															
EDUCATION REIMBURS	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.7
TRAINING PROGRAM	6.6	0.8	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5
BUSINESS MEETINGS/MEAL	9.7	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.2	0.0	0.0	0.1	0.0	0.0	10.1
AGENCY FEES	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8
MISCELLANEOUS	-28.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-28.8
BANKING RELATED EXP.	85.1	2.9	2.0	1.1	1.0	2.7	3.1	3.1	1.3	1.4	1.1	0.0	(0.2)	0.4	102.7
TASK FORCE EXPENSE	315.9	0.0	17.0	2.2	0.0	0.6	4.0	4.0	10.8	0.0	6.4	0.0	0.0	0.0	356.9
BUSINESS ORGAN FEE	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
CONFERENCE & SEMINARS	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.2
MISCELLANEOUS	398.4	3.7	19.0	3.3	1.0	3.5	7.1	7.1	12.3	1.4	7.5	0.1	(0.2)	0.4	457.5
CONSULTANTS															
AUDITING EXTERNAL	28.0	1.2	1.6	1.6	1.6	1.6	2.6	2.6	2.6	2.6	3.0	2.1	2.1	2.1	53.7
CONSULT., DATA COLLECT.	449.1	6.7	5.1	5.4	8.3	8.3	2.0	5.7	5.0	1.6	3.2	0.1	0.0	4.4	496.6
CONSULTANTS	477.1	7.9	6.7	7.0	9.9	4.6	8.3	8.3	7.6	4.2	6.2	2.2	2.1	6.5	550.3
SUBTOTAL	1939.2	30.3	32.2	25.6	25.5	23.9	31.1	31.1	61.7	26.1	36.0	26.4	25.4	33.0	2316.4

4/22/2005

DETAILED NECA EXPENSES
(JULY 1993 TO MARCH 2005)
(000's)

Exhibit 3
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CODE	JUL '93 THRU MAR '04 ACTUALS	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	GRAND TOTAL
RELOCATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RELOCATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RENT	18.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.0	0.7	0.7	0.7	26.1
RENT	18.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.0	0.7	0.7	0.7	26.1
UTILITIES	3.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	4.6
UTILITIES	3.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	4.6
TELECOMMUTING	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
TELEPHONE	2.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.1	0.1	4.1
TELEPHONE	2.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.1	0.1	4.3
OFFICE EQUIPMENT	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8
OFFICE EQUIPMENT	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8
SUPPLIES	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	2.1
SUPPLIES	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	2.1
COURIER	4.9	0.2	0.5	0.1	0.0	0.0	1.0	0.2	0.1	0.1	0.0	1.0	0.0	8.1
POSTAGE	35.3	2.2	0.1	0.0	0.0	0.0	0.6	0.2	0.1	0.3	0.0	0.2	0.1	39.1
POSTAGE	40.2	2.4	0.6	0.1	0.0	0.0	1.6	0.4	0.2	0.4	0.0	1.2	0.1	47.2
PRINTING	4.9	0.0	0.0	0.0	4.9	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	10.1
PRINTING	4.9	0.0	0.0	0.0	4.9	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	10.1
D/P OPERATING EXP.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D/P OPERATING EXP.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SOFTWARE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SOFTWARE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DATA NETWORK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DATA NETWORK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INSURANCE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INSURANCE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**DETAILED NECA EXPENSES
(JULY 1993 TO MARCH 2005)
(000's)**

**Exhibit 3
Page 3 of 3**

CODE	JUL '93 THRU MAR '04 ACTUALS	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	GRAND TOTAL
NET INVESTMENT INCOME														
INTEREST INCOME	-8999.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-8999.8
LATE PAYMENT CHARGE	-27.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-27.6
NET INVESTMENT INCOME	-9027.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-9027.4
DEPRECIATION/AMORT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DEPRECIATION/AMORT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TAXES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TAXES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
COST ALLOCATION														
COST ALLOCATION	2431.4	64.0	24.0	17.0	2.0	72.0	28.0	24.0	20.0	23.0	11.0	8.0	19.0	2743.4
COST ALLOCATION	2431.4	64.0	24.0	17.0	2.0	72.0	28.0	24.0	20.0	23.0	11.0	8.0	19.0	2743.4
INS AMORTIZATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INS AMORTIZATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL EXPENSES	-4585.1	97.4	57.5	43.4	33.1	96.6	61.5	87.0	47.0	62.2	38.4	35.5	53.1	-3872.4
MANAGER	74.25	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	101.25
TOTAL FORCE	74.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	101.25
CONTRACT LABOR	14.07	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.07
TOTAL	88.32	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	115.32
TRIPS	73	1	1	0	0	0	1	1	0	0	0	0	0	77

INTERSTATE TRS FUND REQUIREMENTS
(July 2005 thru June 2006)

	Interstate TRS	IP (excl. Int'l)	Interstate STS	All VRS
1. Proposed Reimbursement Rate	\$1.312	\$1.312	\$1.579	\$5.924
2. Projected Minutes	26,506,254	99,491,040	187,086	35,536,986
3. Fund Size				
a. Projected Reimbursement	\$34,776,205	\$130,532,244	\$295,409	\$210,521,105
b. 10% Safety Margin	\$3,477,621	\$13,053,224	\$29,541	\$21,052,111
c. Fund Requirement	\$38,253,826	\$143,585,469	\$324,950	\$231,573,216
4. TRS/IP/STS/VRS Fund Requirement	\$413,737,460			
a. NECA Administrative Costs	\$600,000			
b. Interest Income	(\$1,000,000)			
c. Total Fund Requirement	\$413,337,460			
5. 2004 End User IS Revenues	\$78,223,112,047			
6. Projected Contribution Factor (Item 4c/Item 5)	0.00528			

Interstate Telecommunications Relay Service (TRS) Fund **2005 - 2006 Monthly Schedule for Reporting Minutes and Associated Disbursement Dates**

Includes TRS, Captioned Telephone VCO, Internet Protocol (IP), Speech to Speech (STS) and Video Relay Services (VRS)

<u>Data Month</u>	<u>Adjustment Months</u>	<u>Reporting Dates</u>	<u>Disbursement Dates</u>	<u>Definitions</u>
--------------------------	---------------------------------	-------------------------------	----------------------------------	---------------------------

2005

No Later Than*

July	April, May, June	August 19	August 26
August	May, June, July	September 21	September 28
September	June, July, August	October 21	October 28
October	July, August, September	November 21	November 28
November	August, September, October	December 21	December 29
December	September, October, November	January 20, 2006	January 27, 2006

Reporting Date:

Date reports are due
(15th work day of the month)

Data Month:

Calendar month for which data
is to be reported

2006

January	October, November, December	February 21	February 28
February	November, December, January	March 21	March 28
March	December, January, February	April 21	April 28
April	January, February, March	May 19	May 26
May	February, March, April	June 21	June 28
June	March, April, May	July 21	July 28

Adjustment Months:

Prior data months for which
corrections can be submitted

Disbursement Date:

Date payment will be issued
for data being reported
(20th work day of month)

* Contingent upon sufficient funds and data processing time requirements

Questions should be addressed to the
NECA TRS Administrator on 973-884-8063.

12. APPENDICES

A.) TRS Provider Data Collection Form and Instructions, September 2004

B.) Interstate TRS Advisory Council Information

Exhibit 1 Interstate TRS Advisory Council Membership List

Exhibit 2 Interstate TRS Advisory Council Meeting Minutes

April 20, 2004

September 9, 2004



80 South Jefferson Road • Whippany, NJ 07981

Maripat Brennan
Manager
TRS Fund Administration

Voice: 973-884-8063
Fax: 973-884-8262
E-mail: mbrenna@neca.org

September 29, 2004

TO: Providers of Telecommunications Relay Service (TRS), Captioned Telephone VCO Service (CTV), Internet Protocol Service (IP), Speech-to-Speech Service (STS), and Video Relay Service (VRS), and All Sub-Contractors

SUBJECT: Annual Relay Services Data Request, distributed via email only

Federal Communications Commission (FCC) rules require NECA, as TRS Fund Administrator, to collect data annually from all providers of TRS and related relay services. This data is used to determine the total cost of providing relay services and to develop the reimbursement rate per completed minute to be paid to providers for traditional TRS and STS interstate minutes and all IP and VRS minutes. Eventually, after the carriers' end-user revenue data is reported on the FCC Form 499A on April 1, both sets of data will be used to calculate the carriers' contribution factor.

The Data Request is designed to gather both actual and projected data to assure that the rate per minute calculations most accurately reflect the costs and demand for interstate TRS and STS services and intrastate and interstate IP and VRS service. Even though sub-contractors will be providing cost and demand data to NECA directly, providers' data should also include their sub-contractors' data. **Please complete the attached Relay Services Data Request and return the forms to NECA as noted on the instructions by January 4, 2005.**

All data provided in the Data Request is treated as proprietary and confidential. Data is not disclosed to anyone other than authorized NECA staff, the auditor of the TRS Fund, or the FCC without prior notice and consent of those providing the data.

NECA will file the proposed 2005 – 2006 rates per minute with the FCC on May 2, 2005 as part of its Annual Report on relay services required by the Commission's rules. The new rates will become effective July 1, 2005 upon Commission approval. Providers will receive reimbursement at the new rates for minutes handled from July 1, 2005 through June 30, 2006.

Your effort and cooperation contribute to the success of this annual process. Please contact Jackie Williams, at jmwilli@neca.org or 973-884-8334, or me with any questions you may have on the Data Request.

Yours truly,

A handwritten signature in black ink that reads "Maripat Brennan". The signature is fluid and cursive, written over a horizontal line.

Attachment

Cc: Relay Services Provider/Sub-Contractor Distribution List

RELAY SERVICES PROVIDER/SUB-CONTRACTOR DISTRIBUTION LIST

Providers:

Ameritech	Beverly A. Smith
AT&T	Sue Decker
Communication Access Center	Debra MacLean
Hamilton Telecommunications	Dixie Ziegler
Hands-On VRS	Ron Obray
Kansas Relay Service Inc.	Joyce Hightower
MCI	Tiina Keder
Nordia	Martin Beaulac
Sorenson Media	Pat Nola
Sprint	Paul Ludwick

Sub-Contractors:

Birnbaum Interpreting Services	David Birnbaum
Communications Services for the Deaf	Randy Gerloff
Go America	Dan Luis
SBC	David Rosenthal Raul Mercado
Society's Assets	Bruce Nelson
Ultratec	Rob Engelke

RELAY SERVICES DATA REQUEST INSTRUCTIONS

A. GENERAL INFORMATION

In filling out the Relay Services Data Request form, bear in mind these general principles:

- **Do not include profit or tax allowances in expenses.** (FCC 04-137, ¶179-182)
- Only expenses to meet the **non-waived mandatory minimum standards** should be included. (FCC 04-137, ¶188-190)
- NECA will perform a **comparative analysis of all providers' data as part of determining reasonable costs.**
- Costs **must** be allocated between TRS and non – TRS services and the allocation methodology **must** be described. (FCC 04-137, ¶182, FN 520)
- If costs are allocated across TRS services (i.e. TRS, IP, STS, VRS), the allocation methodology **must** be described.
- Capital investment data, if applicable, must be submitted by service. **NECA will calculate an 11.25% rate of return on capital investment.** The result of this calculation will be included in the development of the 2005-2006 TRS, IP, STS, and VRS compensation rates. (FCC 04-137, ¶177-182)
- **If depreciated expenses are reported , the year end net book value of the capital investment from which depreciation was computed must be reported in Section F.**
- **NECA will apply a factor of 1.4% as an allowance for working capital to the total average cost per minute for each service to arrive at the reimbursement rate for each service.** The 1.4% represents one-twelfth (or one month) of the 11.25% rate of return, plus a tax allowance. (DA 04-1999, ¶16, FN 53)

This request has been designed to identify total traditional Telecommunications Relay Service (TRS), Internet Protocol (IP) Relay Service, Speech-to-Speech (STS) Service, Video Relay Service (VRS), and Captioned Telephone VCO (CTV) expense and demand data requirements. Providing this information will assure consistency in the development of an average rate per interstate minute for traditional TRS (including CTV), and all IP Relay minutes; a separate average rate per interstate minute for STS; and an average per minute rate for VRS to be effective July 2005 through June 2006. Expense data submitted on this data request should be:

- **total annual expenses** of providing traditional TRS, IP Relay, STS, VRS and CTV in English and Spanish, including local, intrastate, interstate and international expenses
- reported in only **one category**; the section total of expense categories should reflect the total expenses of providing each service (i.e. TRS, IP, STS, VRS and CTV).
- **actual 2003 expenses, annualized expenses for 2004, and projected expenses for 2005 and 2006**

If your company provides Traditional TRS, IP, STS, VRS and CTV, please complete the appropriate expense page for each of the services performed. Each expense form is identified by service on the first line of the form.

All reasonable expenses of providing eligible relay services, whether as part of a state-contracted service or a stand-alone service, **are reportable** for inclusion in the development of the reimbursement rate. Return completed responses on or before **January 4, 2005 to:**

Maripat Brennan
NECA TRS Fund Administration
80 South Jefferson Road, Room N3093
Whippany, New Jersey 07981

Revisions to the January 4th submission will not be accepted after February 15, 2005.

-NECA PROPRIETARY-

RELAY SERVICES DATA REQUEST INSTRUCTIONS

The original signed forms must be returned to NECA. Questions concerning the data request should be referred to Maripat Brennan at 973-884-8063 or via email to mbrenna@neca.org. Also, Jackie Williams at 973-884-8334 or via e-mail at jmwilli@neca.org is available to answer questions. This data will be the basis for reimbursement rates for all relay services, as well as the total fund size requirement. Carrier revenue information to determine the contribution base will be filed on April 1, 2005 via the FCC Form 499-A, Telecommunications Reporting Worksheet. NECA will use the provider cost and demand information and the carrier revenue information to calculate the carrier contribution factor. **On May 2, 2005, NECA will file with the FCC its proposed provider reimbursement rates for each eligible form of TRS, as well as its proposed fund size requirement and carrier contribution factor for the fund year July 1, 2005 through June 30, 2006.**

B. FORM INSTRUCTIONS

Provider Identification

- A. **Service Provider/Administrator:** Provide the requested information about the service provider -- the entity responsible for providing TRS/IP/STS/VRS and CTV. The contact name requested is the name of the person who will serve as the official provider interface for the interstate TRS Fund Administrator.
- B. **Data Request Response:** List the name and contact information for the person to whom questions and requests for clarification regarding the data request response should be directed.
- C. **Changes, Activities & Improvements:** If significant changes have occurred or are expected to occur with this service, please provide an explanation.
- D. **Other Information:** Provide the requested information for each state served. The rate information is confidential and will not be shared with anyone outside of NECA. Indicate with a check whether the rate is for a completed/conversation or a total/session minute.
- E. **Center Location:** Please provide address, city and state, and the hours of operation for VRS centers.

I. Total Traditional TRS Expense Data

Include **reasonable expenses attributable to providing traditional TRS** in English and Spanish as required under Part 64 of the FCC rules, such as gathering traffic, the center itself, and handing off calls to the interexchange carrier. TRS expenses do not include the expenses of the interexchange carrier terminating the call after it leaves the center. Those expenses are recovered by the carrier from the TRS user. When reporting expenses, please **round only to the next dollar**; report all amounts in whole dollars.

A. Annual Recurring Fixed/Semi-Variable Expenses

- 1. **Rent:** Annual payments solely for land and/or buildings rented for the provision of TRS.
- 2. **Utilities:** Expenses associated with land and buildings, such as water, sewerage, fuel, T1 lines, internet connectivity and power. **Telephone service expenses, such as center toll free numbers, local and foreign exchange should also be included here. Also see ITEM B. 4.**
- 3. **Building Maintenance:** Expenses for maintenance and repair.
- 4. **Property Tax (if owned):** Taxes paid on property owned and used for the provision of TRS.
- 5. **Furniture (if leased):** Lease or rental expenses associated with center furnishings.
- 6. **Office Equipment (if leased):** Lease or rental expenses associated with office equipment.

Subtotal Section A expenses.

-NECA PROPRIETARY-

RELAY SERVICES DATA REQUEST INSTRUCTIONS

B. Annual Recurring Variable Expenses (Direct TRS Operational Expenses)

1. **Salaries and Benefits:** Compensation to *non-management employees (persons performing communications assistant and interpreter activities)*, such as wages, salaries, commissions, bonuses, incentive awards and termination payments; payroll related benefits paid on behalf of employees, such as pensions, savings plans, workers' compensation required by law, insurance plans (life, hospital, medical, dental, vision); and social security and other payroll taxes. Included in this expense is the cost of "contract interpreters and/or communication assistants" who are not employees. **ADDITIONAL DATA REQUIRED – see Appendix 1**
2. **Salaries and Benefits:** Compensation to *management employees (relay center managers & supervisors)*, such as wages, salaries, commissions, bonuses, incentive awards and termination payments; payroll related benefits paid on behalf of employees, such as pensions, savings plans, workers' compensation required by law, insurance plans (life, hospital, medical, dental, vision); and social security and other payroll taxes. **ADDITIONAL DATA REQUIRED – see Appendix 1**
3. **Salaries and Benefits:** Compensation to *relay center staff*, such as wages, salaries, commissions, bonuses, incentive awards and termination payments; payroll related benefits paid on behalf of employees, such as pensions, savings plans, workers' compensation required by law, insurance plans (life, hospital, medical, dental, vision); and social security and other payroll taxes. **ADDITIONAL DATA REQUIRED – see Appendix 1**
4. **Telecommunications Expenses:** Expenses associated with inspecting, testing, analyzing and correcting trouble; repairing or reporting on telecommunications plant (switching, transmission, operator, cable and wire) to determine need for repairs, replacements, rearrangements, and changes; expenses for activities, such as controlling traffic flow, administering traffic measuring and monitoring devices, assigning equipment and load balancing, collecting and summarizing traffic data, administering trunking, and assigning interoffice facilities and circuit layout work. **Note: expenses reported here are in addition to the telephone service expenses reported in Section A 2.**
5. **Billing Expenses:** Rating of toll messages and billing functions not recovered from other sources.
6. **Relay Center Expenses:** Expenses not included in other accounts, such as providing food services, libraries, archives, mail service, procuring office equipment, office supplies, materials and repairs.

Subtotal Section B expenses.

C. Annual Administrative Expenses

- To the extent these expenses cover TRS and non-TRS services, the expenses must be allocated and the basis for allocation explained.
1. **Finance/Accounting:** Expenses incurred in providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, capital recovery, regulatory accounting, tax accounting, auditing, capital and operating budget and control, and general accounting. Financial services include banking operations, cash management, benefit investment fund management, etc. **ADDITIONAL DATA REQUIRED - see Appendix 1**
 2. **Legal/Regulatory:** Expenses incurred for legal and regulatory services. Legal services include conducting and coordinating litigation, providing guidance on regulatory and labor matters, court expenses, filing fees, cost of counsel, etc. Regulatory services include preparing and presenting information for regulatory purposes, such as responding to this data request. **ADDITIONAL DATA REQUIRED - see Appendix 1**
 3. **Engineering:** Expenses incurred in the general day to day engineering operation of the TRS telecommunications plant and /or IP network to meet applicable non-waived mandatory minimum standards. **ADDITIONAL DATA REQUIRED – see Appendix 1**
 4. **Research and Development:** Expenses incurred for R&D required to meet applicable non-waived mandatory minimum standards. **ADDITIONAL DATA REQUIRED – see Appendix 1**

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